

Message Text

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ORIGIN NEA-09

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FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO

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E.O. 11652: N/A

TAGS: EAID, CE

SUBJECT: PRIME MINISTER'S REQUEST FOR SPECIAL U.S. ASSIST-
ANCE

REF: COLOMBO 278

1. PL 480 OBVIOUSLY REMAINS QUICKEST AND MOST EFFECTIVE
U.S. CONTRIBUTION TO HELP SRI LANKA ON DROUGHT PROBLEM
AND WE HOPE YOU CAN HAVE GREENLIGHT TO INFORM GSL SOON
ON THIS. AS YOU ACCURATELY EXPLAINED TO PRIME MINISTER,
THERE ARE PROCEDURAL AND SHEER PHYSICAL COMPLICATIONS IN
USE OF DEVELOPMENT LENDING MECHANISM TO GET WATER PUMPS,
EARTH MOVERS AND SPARE PARTS TO SRI LANKA QUICKLY. IN
ADDITION AND MORE IMPORTANTLY IN TERMS SUBSTANCE AND TIMING
WE MUST EXAMINE ADMINISTRATIVE CAPABILITIES, ECONOMIC
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RETURNS AND THE INCIDENCE OF BENEFITS BEFORE WE CAN CON-

SIDER A LOAN FOR THESE PURPOSES, WE HAVE CONCERNS ON ALL THREE SCORES. WE ARE PLEASED A.I.D. TEAM IS IN PLACE TO EVALUATE PRIME MINISTER'S SPECIFIC REQUESTS. OUR PRELIMINARY OBSERVATIONS FOLLOW:

2. PUMPS: WHILE WE DO NOT RPT NOT PRECLUDE USE OF PORTION OF FY'75 DOLS 8 MILLION AGRICULTURAL INPUTS LOAN FOR THIS PURPOSE, SUCH LOAN AMENDMENT WILL, AS YOU SUGGEST, BE TIME CONSUMING. AMENDMENT OF LOAN WOULD REQUIRE APPROPRIATE JUSTIFICATION FOR PUMP FINANCING, LOAN AMENDMENT AND CONGRESSIONAL NOTIFICATION OF FURTHER ALTERATION OF LOAN. FYI - WE HAVE JUST GIVEN CONGRESS FORMAL NOTIFICATION OF CHANGE IN USE OF LOAN FUNDS FROM THAT STATED IN FY'75 CONGRESSIONAL PRESENTATION, I.E., A FERTILIZER IMPORTS LOAN END FYI. WE WILL AWAIT A.I.D. TEAM'S ASSESSMENT OF PUMP FINANCING. IF, FOLLOWING A.I.D. TEAM'S EVALUATION, WE FIND WE ARE UNABLE TO MEET PRIME MINISTER'S REQUESTS FOR PUMPS WITH PLANNED FY'75 DL FUNDS, WE WILL CONSIDER FINANCING THIS AND POSSIBLE OTHER (E.G. EQUIPMENT/SPARES) AGRICULTURE SECTOR INPUTS AS EARLY AS POSSIBLE IN FY'76. SUCH FINANCING PRIORITIES SHOULD BE REVIEWED BY AID/W TEAM TOGETHER WITH OTHER FY'76 PRIORITIES, E.G., IRRIGATION AND PADDY MARKETING BOARD.

3. SPARE PARTS: WE HAVE DISCUSSED SPARE PARTS PROBLEM AND STATUS OF IDA CREDIT WITH WORLD BANK OFFICIAL SHIBUSAWA (NOT REFERRING TO YOUR CONVERSATION WITH PRIME MINISTER). HE SAYS FULL \$15 MILLION IDA LOAN APPROVED IN SEPTEMBER IS COMMITTED BUT ONLY \$5 MILLION HAS BEEN ACTUALLY DISBURSED. IT THUS APPEARS DIFFICULT BUT CONCEIVABLE THAT SRI LANKA COULD GET TYPE OF SPARE PARTS REFERRED TO BY PRIME MINISTER UNDER IDA CREDIT. AS INDICATED PARA TWO SPARE PARTS AND EARTH MOVING EQUIPMENT ALSO CAN BE CONSIDERED FOR US FY'76 DEVELOPMENT FUNDING. KISSINGER

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